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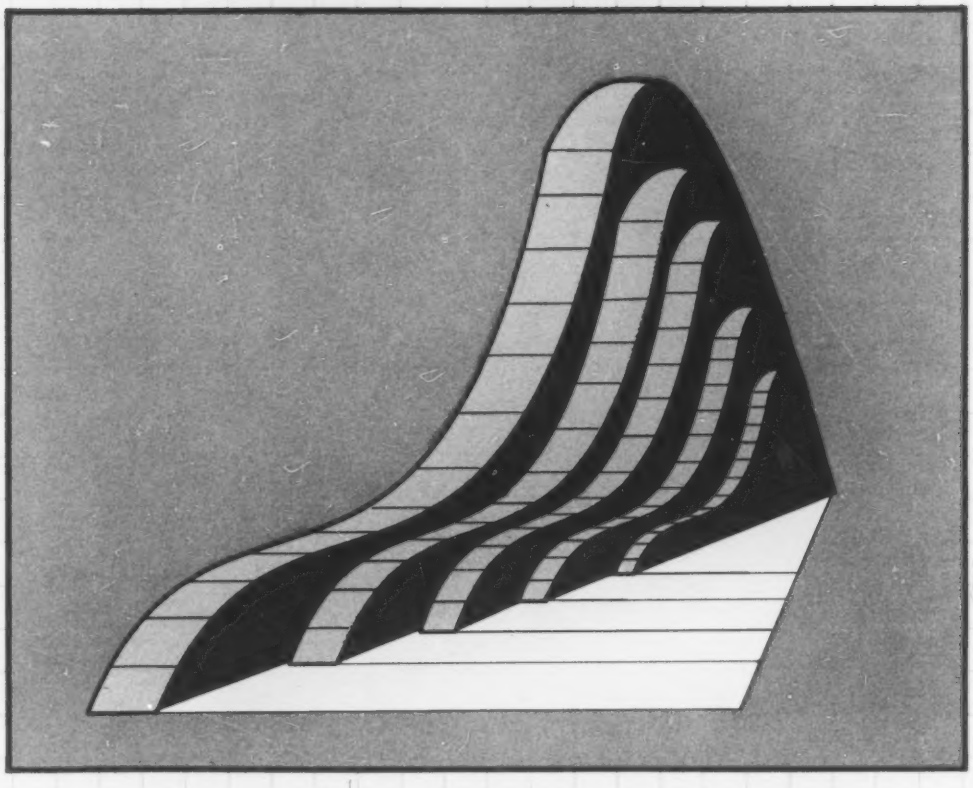
1988 PROFIT REPORT



Detailed Cost-of-Doing Business Data

For D-I-Y Lumber Outlets.

NRHA National Retail Hardware Association

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NRHA
National
Retail Hardware
Association

HCI
home center
institute

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Retail Research Department

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Introduction

THE PROFIT REPORT

The 1988 Profit Report presents financial operating data for consumer oriented lumber and building materials retailers. To be included, a lumber/building materials outlet must actively pursue and derive a portion of total sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The Report is designed to fulfill several objectives:

- To assess financial performance of lumber/building materials operations in 1987
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling lumber/building materials retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail lumber/building material industry.

Four Major Sections

The Profit Report is divided into four major sections: Historical Trends for 1983 through 1987; The Strategic Profit Model; Average Operating Results for 1987; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Profit Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail lumber/building materials outlets. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average outlet. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Outlet

Many factors influence a lumber/building materials outlet's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Trade Area Size
—Outlet Location
—Geographical Region
—Number of Outlets
—Outlet Orientation

Methodology

The Profit Report is made possible only through the cooperation of the retail lumber/building materials men and women who provide detailed information on their operations. Questionnaires were sent to lumber/building materials operators in February, 1988. Four hundred and ninety-two usable returns were received by June 15, 1988 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Retail Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by an independent data processing firm.

As thanks for their participation, each lumber/building materials operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other outlets in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to the The Profit Report are The Management Report for retail hardware stores and The Bottom Line for home centers.

For Assistance

Assistance and aid in interpreting The 1988 Profit Report may be obtained from your regional Hardware Association or the National Retail Hardware Association.

Historical Trends

Income Statement Data	ALL DIY LUMBER OUTLETS FISCAL YEAR 1987	1986	1985	1984	1983
Net Sales Volume	$2,776,269	$1,993,028	$2,069,693	$1,680,266	$1,243,862
Gross Sales	102.24%	102.41%	102.03%	101.87%	102.27%
Less: Total Deductions	2.24	2.41	2.03	1.87	2.27
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	75.19	74.31	74.50	74.37	73.99
Margin Before Purchase Rebate or Patronage Dividend	24.81	25.69	25.50	25.63	26.01
Purchase Rebate or Patronage Dividend	.11	.14	.14	.14	.16
Margin After Purchase Rebate or Patronage Dividend	24.92	25.83	25.64	25.77	26.17
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.66	2.87	2.98	3.84	3.79
Salaries/Wages — Other Employees	8.94	9.57	9.08	8.23	8.89
Federal and State Payroll Taxes	1.02	1.08	.96	1.01	1.00
Group Insurance	.38	.44	.46	.56	.59
Benefit Plans	.71	.68	.51	.47	.50
Total Payroll and Other Employee Expense	13.71	14.65	13.99	14.11	14.77
Occupancy Expense					
Heat, Light, Power, Water	.37	.48	.40	.45	.43
Building Repairs and Maintenance	.27	.22	.11	.34	.31
Rent or Ownership in Real Estate**	1.47	1.58	1.83	1.89	2.01
Total Occupancy Expense	2.12	2.28	2.34	2.68	2.75
Other Costs of Doing Business					
Advertising and Promotion	.88	1.09	.95	.79	1.01
Insurance (Other than Real Estate or Group)	.72	.64	.60	.48	.49
Taxes (Other than Real Estate and Payroll)	.32	.34	.30	.29	.39
Interest (Other than Real Estate)	.88	.96	.90	1.13	1.11
Depreciation (Other than Real Estate)	.74	.72	.70	.67	.71
All Other Expenses	3.73	3.56	4.48	3.60	3.72
Total Other Costs of Doing Business	7.26	7.31	7.93	6.96	7.43
Total Operating Expenses	23.09	24.24	24.26	23.75	24.95
Operating Profit or Loss	1.83	1.60	1.38	2.02	1.22
Other Income	2.05	1.71	1.81	1.58	1.92
Net Operating Profit or Loss (Before Income Taxes)	3.88	3.31	3.19	3.60	3.14
Financial Performance					
Profit on Investment	19.20%	15.60%	14.78%	15.99%	13.81%
Active Owner's Return	32.38%	29.15%	28.57%	33.01%	30.51%
Current Asset Ratio	2.57x	2.96x	2.51x	2.62x	2.68x
Quick Asset Ratio	1.31x	1.42x	1.23x	1.27x	1.16x
Total Debt to Tangible Net Worth	90.25%	82.93%	80.57%	83.69%	99.75%
Stock Turn Times	5.30x	4.73x	5.05x	4.56x	3.99x
Sales to Inventory Ratio	7.05x	6.36x	6.77x	6.13x	5.39x
Average Inventory per Sq. Ft. Sales Area	$69.86	$56.57	$93.23	$83.66	$93.64
Net Sales to Accounts Receivable	8.78x	10.70x	9.39x	9.27x	9.84x
Net Sales to Total Assets	2.60x	2.58x	2.56x	2.41x	2.20x
Net Sales to Net Worth	4.95x	4.72x	4.62x	4.44x	4.40x
Net Sales to Net Working Capital	3.57x	3.41x	5.68x	5.03x	4.60x
Other Operating Data					
Credit Sales — % of Total Gross Sales	75.53%	71.16%	69.95%	76.14%	67.60%
Consumer Sales — % of Total Gross Sales	34.97%	40.61%	45.49%	54.36%	55.68%
Selling Area — Square Feet	5,650	5,341	4,273	4,208	3,989
Sales Per Square Foot — Selling Area	$424.96	$347.23	$448.70	$409.61	$311.82
Total Area — Square Feet	22,941	20,243	16,321	17,598	18,550
Sales Per Square Foot — Total Area	$102.51	$87.28	$138.17	$85.39	$67.05
Sales Per Person Employed	$165,055	$144,238	$131,436	$138,073	$110,591
Sales Per Customer	$58.14	$59.22	$87.52	$67.78	$71.45

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Historical Trends

Department	Percent Of Net Sales**					Sales Per Square Foot				
	1987	1986	1985	1984	1983	1987	1986	1985	1984	1983
Hardware	6.2%	5.4%	7.8%	9.6%	9.6%	$153.92	$129.61	$136.03	$138.64	$162.07
Hand Tools	2.1	1.7	2.4	2.0	2.3	114.52	126.80	126.86	143.07	134.79
Power Tools & Accessories	2.2	1.4	1.5	1.7	1.8	129.51	139.12	157.69	144.61	125.14
Plumbing, Heating & Cooling	2.1	2.4	3.8	5.0	4.7	155.44	131.30	156.64	198.75	222.30
Electrical Supplies	2.3	1.6	2.4	3.4	3.0	146.02	138.15	149.06	177.62	176.09
Paint & Home Decorating	5.8	5.6	6.2	5.9	6.3	173.02	136.64	172.86	174.12	168.93
Lumber	44.9	39.7	34.5	32.6	32.5	1,113.03	1,237.46	986.83	769.24	796.75
Building Materials	25.4	38.3	31.4	33.3	32.7	505.66	833.91	719.64	606.85	405.29
Lawn & Garden	1.3	1.0	1.6	1.3	1.5	186.86	172.61	130.32	175.27	173.68
Housewares	.2	.3	.4	.6	.4	75.25	94.52	95.61	92.33	156.68
Automotive Supplies	.1	.1	.1	.1	.1	137.83	98.65	98.13	133.28	112.92
Major Appliances & Home Entertainment	.9	.1	.5	1.0	.7	284.40	81.24	116.51	65.30	112.87
Sporting Goods & Outdoor Living	.1	.1	.8	.2	.3	149.92	NA	NA	97.67	162.96
Miscellaneous Goods	6.5	2.3	6.6	3.3	4.1	1,099.17	207.68	161.27	173.25	434.53

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1987	1986	1985	1984	1983	1987	1986	1985	1984	1983
Hardware	5.1x	4.3x	3.8x	3.4x	3.4x	$1.90	$1.66	$1.43	$1.13	$1.12
Hand Tools	5.0	4.2	4.1	4.0	3.6	1.73	1.48	1.44	1.22	1.12
Power Tools & Accessories	4.9	3.7	4.1	3.8	4.0	1.48	1.19	1.28	.94	1.13
Plumbing, Heating & Cooling	3.8	3.5	3.9	4.1	3.6	1.32	1.24	1.32	1.24	.99
Electrical Supplies	4.7	4.0	3.7	5.2	3.3	1.64	1.49	1.32	1.72	1.10
Paint & Home Decorating	4.7	4.4	4.2	4.5	3.8	1.65	1.52	1.45	1.34	1.21
Lumber	6.5	8.8	7.3	6.5	6.5	1.61	2.05	1.73	1.56	1.65
Building Materials	6.5	8.2	7.5	7.1	6.1	1.71	2.21	1.98	1.98	1.66
Lawn & Garden	5.4	5.0	4.9	5.0	3.8	1.67	1.58	1.64	1.33	1.14
Housewares	3.1	2.0	3.7	2.3	2.3	1.04	.56	1.21	.52	.54
Automotive Supplies	3.8	5.1	3.0	2.3	2.1	1.34	1.37	.87	.68	.71
Major Appliances & Home Entertainment	5.3	3.0	4.7	2.6	4.1	.90	.39	.96	.69	1.04
Sporting Goods & Outdoor Living	7.2	2.9	NA	2.6	3.9	2.37	.91	NA	.73	.83
Miscellaneous Goods	7.0	8.8	6.3	8.0	4.4	2.14	2.78	1.76	2.16	1.25

**Average DIY Lumber Outlet.

Monthly Sales

Month	1987	1986	1985	1984	1983
January	5.9	5.7	6.2	6.1	5.7
February	6.0	5.1	5.6	5.8	5.3
March	7.0	6.3	7.0	6.7	6.6
April	8.3	8.3	8.8	8.2	8.0
May	9.0	9.5	9.8	9.9	9.4
June	10.1	9.3	9.4	10.1	10.1
July	10.3	10.1	9.3	9.2	9.4
August	9.8	10.0	9.2	9.1	9.3
September	9.7	10.1	8.5	8.5	8.9
October	9.4	10.3	9.0	8.8	9.1
November	7.7	8.2	8.4	8.5	8.6
December	6.8	7.1	8.8	9.1	9.6

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building materials retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

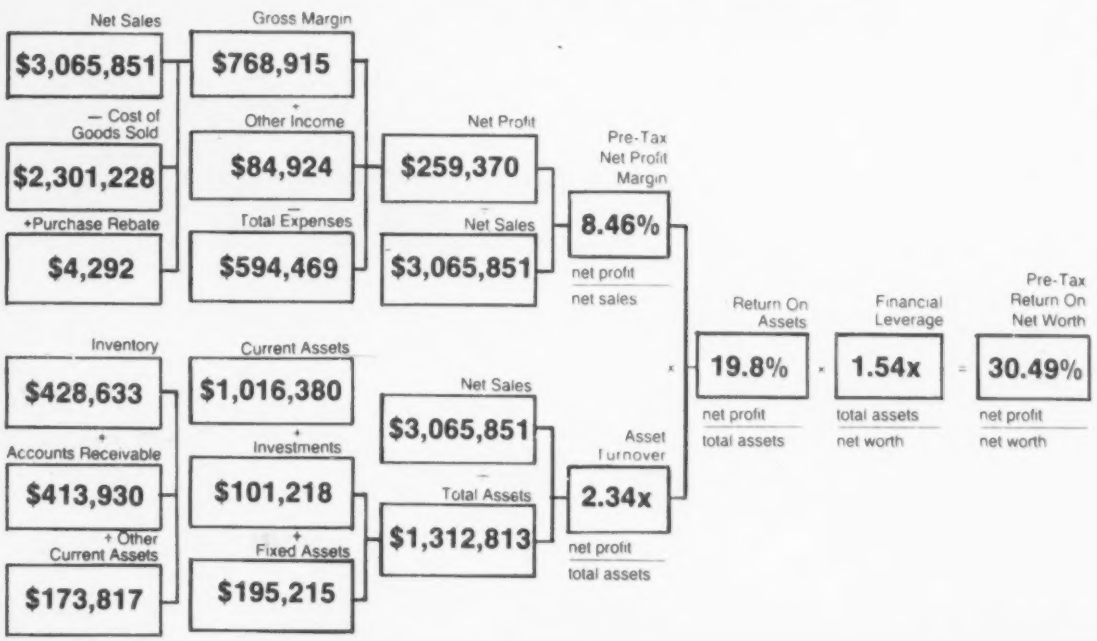
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Outlets category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Outlets



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Highlights

Type of DIY Lumber Outlet	1987 Net Sales ($)	Sales Increase Over 1986* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All DIY Lumber Outlets	2,776,269	+11.47	24.92	3.88	19.20	5.30
Low Profit	2,001,710	+ 5.86	24.30	- .75	- 5.22	4.54
High Profit	3,065,851	+14.72	25.08	8.46	30.46	5.43
Sales Volume Size						
Under $1,000,000	579,209	+ 2.43	28.69	2.55	8.63	2.86
$1,000,000 to $1,999,999	1,389,571	+ 6.44	25.44	2.99	12.24	4.01
$2,000,000 or more	4,686,369	+13.07	24.61	4.13	21.89	5.93
Sales Floor Size						
Under 3,000 Sq. Ft.	3,010,154	+17.24	25.49	4.00	21.90	7.62
3,000 to 4,999 Sq. Ft.	1,876,295	+ 7.98	22.42	2.31	14.33	5.17
5,000 Sq. Ft. or more	2,916,303	+11.13	25.64	4.19	18.99	4.94
Trade Area Size						
M.S.A. - Central City	2,899,912	+ 9.40	24.83	3.22	16.55	5.33
M.S.A. - Suburban	7,332,991	+16.66	26.28	5.57	33.64	9.00
Cities - 10,000 to 50,000	3,517,693	+12.28	24.16	4.47	20.91	5.12
Towns Under 10,000	2,049,215	+10.20	24.87	3.28	15.37	4.70
Outlet Location: Part I						
Downtown	2,046,179	+10.58	25.17	3.26	15.51	5.16
Suburban	3,478,541	+12.65	25.06	4.29	21.66	5.77
Rural	2,230,436	+ 9.14	24.35	3.44	17.37	4.62
Outlet Location: Part II						
Shopping Centers	1,920,053	+ 8.95	24.54	3.79	19.74	4.73
Free-Standing — No Stores Adjacent	2,930,716	+13.93	24.88	4.48	21.66	5.44
Free-Standing — Stores Nearby	2,453,259	+ 7.77	25.15	2.94	15.40	5.04
Outlet Orientation:						
Consumer-Oriented	4,248,186	+13.54	24.34	3.89	21.15	6.11
Contractor-Oriented	1,499,331	+ 6.86	26.91	3.45	14.47	4.03

*As reported by The Profit Report contributors.

Monthly Sales

	%		%		%
January	5.9	May	9.0	September	9.7
February	6.0	June	10.1	October	9.4
March	7.0	July	10.3	November	7.7
April	8.3	August	9.8	December	6.8

All Outlets

Income Statement Data	All DIY Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Number of Outlets	492	117	120
Net Sales Volume	$2,776,269	$2,001,710	$3,065,851
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+11.47%	+ 5.86%	+14.72%
Gross Sales	102.24%	102.78%	101.87%
Less: Total Deductions	2.24	2.78	1.87
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.19	75.86	75.06
Margin Before Purchase Rebate or Patronage Dividend	24.81	24.14	24.94
Purchase Rebate or Patronage Dividend	.11	.16	.14
Margin After Purchase Rebate or Patronage Dividend	24.92	24.30	25.08
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.66	2.88	2.38
Salaries/Wages — Other Employees	8.94	9.93	7.57
Federal and State Payroll Taxes	1.02	1.16	.90
Group Insurance	.38	.57	.38
Benefit Plans	.71	.58	.79
Total Payroll and Other Employee Expense	13.71	15.12	12.02
Occupancy Expense			
Heat, Light, Power, Water	.37	.49	.27
Building Repairs and Maintenance	.27	.32	.19
Rent or Ownership in Real Estate**	1.47	1.90	1.18
Total Occupancy Expense	2.12	2.71	1.65
Other Costs of Doing Business			
Office Supplies and Postage	.38	.48	.30
Advertising and Promotion	.88	1.08	.70
Donations	.06	.04	.06
Telephone and Telegraph	.23	.33	.20
Bad Debts	.44	.58	.32
Credit Card Expense (Bank Charges)	.04	.11	.03
Delivery (Other than Wages)	.82	.82	.69
Leasing Expenses (Non-Occupancy)	.07	.20	.01
Insurance (Other than Real Estate and Group)	.72	.87	.64
Taxes (Other than Real Estate and Payroll)	.32	.39	.29
Interest (Other than Real Estate)	.88	1.58	.58
Depreciation (Other than Real Estate)	.74	.73	.61
Store and Shop Supplies	.16	.27	.09
Legal and Accounting	.29	.40	.21
Computer Services and Expenses (Other than Wages)	.13	.13	.10
Dues and Subscriptions	.06	.07	.04
Travel, Buying, Entertainment	.19	.27	.12
Miscellaneous Services (Laundry, Disposal, Etc.)	10	.05	.10
Unclassified Expenses	.76	.58	.63
Total Other Costs of Doing Business	7.26	8.98	5.72
Total Operating Expenses	23.09	26.81	19.39
Operating Profit or Loss	1.83	-2.51	5.69
Other Income	2.05	1.76	2.77
Net Operating Profit or Loss (Before Income Taxes)	3.88	- .75	8.46

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

All Outlets

Balance Sheet Data	DIY Lumber Outlets	Low Profit Outlets†	High Profit Outlets††
Total Dollar Assets	$1,066,832	$817,116	$1,312,813
		% of Total Assets	
Assets			
Cash On Hand and In Bank	6.65	2.63	10.18
Notes and Installment Contracts Receivable	.89	.85	.75
Accounts Receivable	29.62	26.04	31.53
Merchandise Inventory (End of Year)	37.47	41.87	32.65
Other Current Assets	1.67	1.63	2.31
Total Current Assets	76.31	73.02	77.42
Stocks and Bonds	1.06	1.16	1.56
Real Estate (Not Used In Business)	.90	1.12	.71
Other Investments	4.28	4.03	5.43
Total Investments	6.25	6.31	7.71
Land (Owned and Used In Business)	3.20	3.05	3.73
Buildings (Owned and Used In Business Less Depreciation)	5.85	8.33	4.73
Leasehold Improvements (Less Amortization Allowance)	1.05	1.80	1.22
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	2.59	3.15	1.76
Delivery Equipment (Owned and Used in Business Less Depreciation)	2.70	2.43	2.34
Other Fixed Assets	2.04	1.90	1.20
Total Fixed Assets	17.44	20.67	14.87
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	12.49	14.65	9.63
Current Portion of Notes Payable	8.51	14.03	5.42
Accrued Payroll Taxes	.59	.66	.39
Accrued Other Taxes	1.72	.72	2.42
Other Accrued Expenses	3.01	2.08	4.58
Other Current Liabilities	3.33	6.02	1.74
Total Current Liabilities	29.66	38.16	24.17
Notes Due Partners/Officers	2.08	3.27	.76
Mortgage Payable	2.31	3.60	.25
Long Term Debt	11.75	17.02	8.43
Other Long Term Liabilities	1.65	2.57	1.55
Total Long Term Liabilities	17.78	26.46	10.99
Total Liabilities	47.44	64.62	35.15
Net Worth	52.56	35.38	64.85
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	19.20%	- 5.22%	30.46%
Active Owner's Return	32.38%	14.70%	39.01%
Current Asset Ratio	2.57x	1.91x	3.20x
Quick Asset Ratio	1.31x	.82x	1.85x
Total Debt to Tangible Net Worth	90.25%	182.65%	54.21%
Stock Turn Times	5.30x	4.54x	5.43x
Sales to Inventory Ratio	7.05x	5.98x	7.23x
Average Inventory per Sq. Ft. Sales Area	$69.86	$65.17	$78.14
Net Sales to Accounts Receivable	8.78x	9.41x	7.41x
Net Sales to Total Assets	2.60x	2.45x	2.34x
Net Sales to Net Worth	4.95x	6.92x	3.60x
Net Sales to Net Working Capital	3.57x	3.66x	3.09x
Other Operating Data			
Credit Sales — % of Total Gross Sales	75.53%	82.51%	71.05%
Consumer Sales — % of Total Gross Sales	34.97%	35.09%	37.01%
Selling Area — Square Feet	5,650	4,319	6,384
Sales Per Square Foot — Selling Area	$424.96	$375.84	$416.45
Total Area — Square Feet	22,941	18,925	25,003
Sales Per Square Foot — Total Area	$102.51	$82.67	$103.53
Sales Per Person Employed	$165,055	$132,376	$197,585
Sales Per Customer	$58.14	$121.85	$116.29

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.
††Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated because of rounding.

Sales Volume Size

Income Statement Data	Sales Under $1,000,000	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Number of Outlets	106	153	233
Net Sales Volume	$579,209	$1,389,571	$4,686,369
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+ 2.43%	+ 6.44%	+13.07%
Gross Sales	101.46%	101.83%	102.36%
Less: Total Deductions	1.46	1.83	2.36
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.61	74.82	75.46
Margin Before Purchase Rebate or Patronage Dividend	28.39	25.18	24.54
Purchase Rebate or Patronage Dividend	.29	.26	.07
Margin After Purchase Rebate or Patronage Dividend	28.69	25.44	24.61
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.35	2.27	2.64
Salaries/Wages — Other Employees	8.77	10.10	8.72
Federal and State Payroll Taxes	1.30	1.05	1.00
Group Insurance	.63	.49	.34
Benefit Plans	.37	.64	.75
Total Payroll and Other Employee Expense	15.43	14.55	13.45
Occupancy Expense			
Heat, Light, Power, Water	.81	.43	.33
Building Repairs and Maintenance	.29	.18	.28
Rent or Ownership in Real Estate**	2.52	1.62	1.40
Total Occupancy Expense	3.62	2.23	2.01
Other Costs of Doing Business			
Office Supplies and Postage	.63	.46	.35
Advertising and Promotion	1.36	1.22	.79
Donations	.05	.05	.06
Telephone and Telegraph	.38	.32	.20
Bad Debts	.30	.48	.44
Credit Card Expense (Bank Charges)	.12	.07	.03
Delivery (Other Than Wages)	.72	.75	.84
Leasing Expenses (Non-Occupancy)	.07	.09	.06
Insurance (Other Than Real Estate and Group)	1.11	.74	.69
Taxes (Other Than Real Estate and Payroll)	.44	.41	.29
Interest (Other Than Mortgages)	1.20	1.19	.80
Depreciation (Other than Real Estate)	.80	.62	.76
Store and Shop Supplies	.24	.13	.16
Legal and Accounting	.39	.29	.29
Computer Services and Expenses (Other Than Wages)	.03	.10	.14
Dues and Subscriptions	.09	.07	.06
Travel, Buying, Entertainment	.16	.17	.20
Miscellaneous Services (Laundry, Disposal, etc.)	.02	.03	.12
Unclassified Expenses	.90	.87	.73
Total Other Costs of Doing Business	9.00	8.05	7.01
Total Operating Expenses	28.04	24.82	22.47
Operating Profit or Loss	.65	.61	2.14
Other Income	1.90	2.37	1.99
Net Operating Profit or Loss (Before Income Taxes)	2.55	2.99	4.13

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $1,000,000	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Total Dollar Assets	$303,996	$615,251	$1,710,406
		% of Total Assets	
Assets			
Cash On Hand and In Bank	7.73	8.35	6.17
Notes and Installment Contracts Receivable	.77	1.04	.87
Accounts Receivable	15.39	21.07	32.79
Merchandise Inventory (End of Year)	48.21	43.30	35.23
Other Current Assets	1.20	1.94	1.64
Total Current Assets	73.30	75.70	76.70
Stocks and Bonds	2.73	1.68	.77
Real Estate (Not Used in Business)	1.16	.86	.90
Other Investments	2.31	5.40	4.18
Total Investments	6.21	7.94	5.85
Land (Owned and Used in Bus.)	5.73	3.29	2.98
Buildings (Owned and Used in Bus. Less Depre.)	9.05	5.57	5.66
Leasehold Improvements (Less Amortization Allowance)	.23	.92	1.15
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.54	2.79	2.54
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.68	2.19	2.91
Other Fixed Assets	1.25	1.60	2.21
Total Fixed Assets	20.49	16.36	17.45
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	10.65	9.78	13.28
Current Portion of Notes Payable	7.95	9.71	8.27
Accrued Payroll Taxes	.38	.61	.60
Accrued Other Taxes	1.29	.65	2.00
Other Accrued Expenses	.65	2.93	3.23
Other Current Liabilities	2.87	2.39	3.59
Total Current Liabilities	23.79	26.07	30.98
Notes Due Partners/Officers	3.76	2.27	1.90
Mortgage Payable	2.60	2.62	2.21
Long Term Debt	12.48	11.89	11.65
Other Long Term Liabilities	1.13	2.00	1.61
Total Long Term Liabilities	19.98	18.77	17.37
Total Liabilities	43.76	44.85	48.35
Net Worth	56.24	55.15	51.65
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	8.63%	12.24%	21.89%
Active Owner's Return	23.38%	21.53%	35.91%
Current Asset Ratio	3.08x	2.90x	2.48x
Quick Asset Ratio	1.05x	1.24x	1.34x
Total Debt to Tangible Net Worth	77.82%	81.32%	93.60%
Stock Turn Times	2.86x	4.01x	5.93x
Sales to Inventory Ratio	3.99x	5.36x	7.86x
Average Inventory per Sq. Ft. Sales Area	$30.75	$46.82	$99.13
Net Sales to Accounts Receivable	12.38x	10.72x	8.36x
Net Sales to Total Assets	1.91x	2.26x	2.74x
Net Sales to Net Worth	3.39x	4.10x	5.30x
Net Sales to Net Working Capital	2.71x	3.08x	3.75x
Other Operating Data			
Credit Sales — % of Total Gross Sales	62.34%	73.53%	76.43%
Consumer Sales — % of Total Gross Sales	60.80%	50.20%	30.66%
Selling Area — Square Feet	4,162	5,854	6,192
Sales Per Square Foot — Selling Area	$120.44	$227.51	$640.66
Total Area — Square Feet	11,784	21,620	28,884
Sales Per Square Foot — Total Area	$41.04	$59.50	$135.06
Sales Per Person Employed	$105,882	$130,276	$180,544
Sales Per Customer	$37.71	$53.08	$61.46

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Number of Outlets	62	98	278
Net Sales Volume	$3,010,154	$1,876,295	$2,916,303
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+17.24%	+ 7.98%	+11.13%
Gross Sales	101.57%	101.62%	102.83%
Less: Total Deductions	1.57	1.62	2.83
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.61	77.72	74.46
Margin Before Purchase Rebate or Patronage Dividend	25.39	22.28	25.54
Purchase Rebate or Patronage Dividend	.10	.13	.09
Margin After Purchase Rebate Or Patronage Dividend	25.49	22.42	25.64
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.52	2.45	2.28
Salaries — Other Employees	7.62	8.45	9.48
Federal and State Payroll Taxes	.88	1.06	1.04
Group Insurance	.38	.50	.34
Benefit Plans	.68	.45	.83
Total Payroll and Other Employee Expense	14.08	12.92	13.98
Occupancy Expense			
Heat, Light, Power, Water	.20	.33	.42
Building Repairs and Maintenance	.23	.31	.24
Rent or Ownership in Real Estate**	1.18	1.28	1.59
Total Occupancy Expense	1.61	1.92	2.25
Other Costs of Doing Business			
Office Supplies and Postage	.29	.40	.39
Advertising and Promotion	.52	.78	1.02
Donations	.04	.04	.06
Telephone and Telegraph	.20	.25	.22
Bad Debts	.26	.45	.45
Credit Card Expense (Bank Charges)	.02	.08	.04
Delivery (Other Than Wages)	1.35	.72	.80
Leasing Expenses (Non-Occupancy)	.05	.09	.06
Insurance (Other Than Real Estate and Group)	.83	.65	.72
Taxes (Other Than Real Estate and Payroll)	.34	.32	.30
Interest (Other Than Real Estate)	.57	1.22	.76
Depreciation (Other Than Real Estate)	1.07	.69	.69
Store and Shop Supplies	.09	.15	.16
Legal and Accounting	.18	.36	.30
Computer Services and Expenses (Other Than Wages)	.11	.14	.14
Dues and Subscriptions	.05	.07	.05
Travel, Buying, Entertainment	.15	.21	.20
Miscellaneous Services (Laundry, Disposal, etc.)	.17	.20	.07
Unclassified Expenses	.76	.83	.73
Total Other Costs of Doing Business	7.03	7.66	7.16
Total Operating Expenses	22.73	22.50	23.39
Operating Profit or Loss	2.77	- .08	2.25
Other Income	1.24	2.39	1.94
Net Operating Profit or Loss (Before Income Taxes)	4.00	2.31	4.19

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Total Dollar Assets	$1,047,221	$678,994	$1,148,817
		% of Total Assets	
Assets			
Cash On Hand and In Bank	7.07	6.12	7.59
Notes and Installment Contracts Receivable	1.32	.22	.79
Accounts Receivable	40.45	28.20	27.29
Merchandise Inventory (End of Year)	30.05	42.14	38.34
Other Current Assets	1.29	.87	1.72
Total Current Assets	80.16	77.55	75.74
Stocks and Bonds	.81	1.21	1.23
Real Estate (Not Used in Bus.)	1.07	1.96	.66
Other Investments	3.42	2.29	5.05
Total Investments	5.30	5.46	6.94
Land (Owned and Used in Bus.)	1.91	2.04	3.60
Buildings (Owned and Used in Bus. Less Depre.)	1.75	7.10	5.46
Leasehold Improvements (Less Depre.)	1.23	.94	1.12
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.30	3.22	2.36
Delivery Equipment (Owned and Used in Bus. Less Depre.)	4.52	2.04	2.59
Other Fixed Assets	2.82	1.65	2.19
Total Fixed Assets	14.54	16.99	17.32
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	12.70	13.59	12.29
Current Portion of Notes Payable	4.60	14.96	6.44
Accrued Payroll Taxes	.54	.29	.74
Accrued Other Taxes	4.07	1.26	1.21
Other Accrued Expenses	4.21	3.22	2.80
Other Current Liabilities	5.77	3.93	2.30
Total Current Liabilities	31.90	37.25	25.77
Notes Due Partners/Officers	4.23	3.15	1.71
Mortgage Payable	1.46	2.25	2.82
Long Term Debt	9.11	11.24	11.50
Other Long Term Liabilities	.78	1.52	2.17
Total Long Term Liabilities	15.58	18.16	18.20
Total Liabilities	47.48	55.41	43.97
Net Worth	52.52	44.59	56.03
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	21.90%	14.33%	18.99%
Active Owner's Return	46.67%	29.54%	29.34%
Current Asset Ratio	2.51x	2.08x	2.94x
Quick Asset Ratio	1.57x	.95x	1.45x
Total Debt to Tangible Net Worth	90.40%	124.25%	78.49%
Stock Turn Times	7.62x	5.17x	4.94x
Sales to Inventory Ratio	10.21x	6.65x	6.63x
Average Inventory per Sq. Ft. Sales Area	$146.57	$84.73	$61.29
Net Sales to Accounts Receivable	7.11x	9.80x	9.30x
Net Sales to Total Assets	2.87x	2.76x	2.54x
Net Sales to Net Worth	5.47x	6.20x	4.53x
Net Sales to Net Working Capital	3.86x	3.75x	3.46x
Other Operating Data			
Credit Sales — % of Total Gross Sales	81.43%	80.20%	73.69%
Consumer Sales — % of Total Gross Sales	24.15%	31.59%	38.72%
Selling Area — Square Feet	1,987	3,848	8,199
Sales Per Square Foot — Selling Area	$1,514.83	$487.55	$355.70
Total Area — Square Feet	22,391	20,616	27,892
Sales Per Square Foot — Total Area	$116.80	$86.39	$102.10
Sales Per Person Employed	$189,393	$157,132	$158,155
Sales Per Customer	$139.32	$121.26	$49.67

Outlet Location I

Income Statement Data	Downtown	Suburban	Rural
Number of Outlets	118	228	128
Net Sales Volume	$2,046,179	$3,478,541	$2,230,436
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+10.58%	+12.65%	+ 9.14%
Gross Sales	101.99%	102.27%	102.04%
Less: Total Deductions	1.99	2.27	2.04
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.00	75.01	75.80
Margin Before Purchase Rebate or Patronage Dividend	25.00	24.99	24.20
Purchase Rebate or Patronage Dividend	.16	.07	.16
Margin After Purchase Rebate or Patronage Dividend	25.17	25.06	24.35
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.93	2.67	2.33
Salaries/Wages — Other Employees	9.44	8.86	8.81
Federal and State Payroll Taxes	.93	1.04	1.06
Group Insurance	.46	.38	.30
Benefit Plans	.70	.74	.70
Total Payroll and Other Employee Expense	14.46	13.68	13.20
Occupancy Expense			
Heat, Light, Power, Water	.39	.30	.53
Building Repairs and Maintenance	.31	.27	.24
Rent or Ownership in Real Estate**	1.51	1.56	1.26
Total Occupancy Expense	2.21	2.13	2.03
Other Costs of Doing Business			
Advertising and Promotion	1.01	.79	.99
Insurance (Other Than Real Estate or Group)	.71	.71	.69
Taxes (Other Than Real Estate or Payroll)	.38	.31	.26
Interest (Other Than Real Estate)	.86	.80	1.13
Depreciation (Other Than Real Estate)	.65	.76	.75
All Other Expenses	3.69	3.75	3.66
Total Other Costs of Doing Business	7.30	7.12	7.48
Total Operating Expenses	23.96	22.93	22.71
Operating Profit or Loss	1.21	2.14	1.64
Other Income	2.05	2.16	1.80
Net Operating Profit or Loss (Before Income Taxes)	3.26	4.29	3.44
Financial Performance			
Profit on Investment	15.51%	21.66%	17.37%
Active Owner's Return	29.47%	35.12%	29.13%
Current Asset Ratio	2.67x	2.43x	2.88x
Quick Asset Ratio	1.30x	1.32x	1.33x
Total Debt to Tangible Net Worth	81.67%	93.62%	94.41%
Stock Turn Times	5.16x	5.77x	4.62x
Sales to Inventory Ratio	6.87x	7.69x	6.09x
Average Inventory per Sq. Ft. Sales Area	$60.10	$74.77	$69.43
Net Sales to Accounts Receivable	10.07x	8.07x	9.84x
Net Sales to Total Assets	2.62x	2.61x	2.59x
Net Sales to Net Worth	4.76x	5.04x	5.04x
Net Sales to Net Working Capital	3.72x	3.62x	3.37x
Other Operating Data			
Credit Sales — % of Total Gross Sales	77.48%	78.16%	68.24%
Consumer Sales — % of Total Gross Sales	36.19%	30.23%	45.16%
Selling Area — Square Feet	4,756	6,203	5,984
Sales Per Square Foot — Selling Area	$377.12	$511.02	$302.72
Total Area — Square Feet	22,913	25,435	20,876
Sales Per Square Foot — Total Area	$75.21	$117.71	$95.83
Sales Per Person Employed	$147,581	$170,624	$163,620
Sales Per Customer	$28.43	$86.99	$87.36

*As reported to us by The Profit Report contributors.

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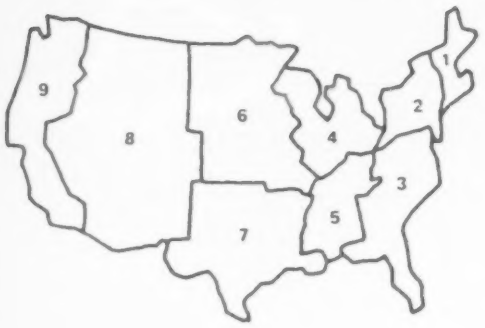
Outlet Location II

Income Statement Data	Shopping Centers	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Outlets	16	240	205
Net Sales Volume	$1,920,053	$2,930,716	$2,453,259
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+ 8.95%	+13.93%	+ 7.77%
Gross Sales	101.85%	102.72%	101.87%
Less: Total Deductions	1.85	2.72	1.87
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.82	75.22	74.93
Margin Before Purchase Rebate or Patronage Dividend	24.18	24.78	25.07
Purchase Rebate or Patronage Dividend	.36	.11	.08
Margin After Purchase Rebate or Patronage Dividend	24.54	24.88	25.15
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.28	2.47	2.44
Salaries/Wages — Other Employees	7.85	8.90	9.54
Federal and State Payroll Taxes	1.00	1.08	1.00
Group Insurance	.29	.31	.43
Benefit Plans	.42	.56	.91
Total Payroll and Other Employee Expense	12.84	13.31	14.32
Occupancy Expense			
Heat, Light, Power, Water	.44	.39	.37
Building Repairs and Maintenance	.15	.24	.31
Rent or Ownership in Real Estate**	1.35	1.52	1.50
Total Occupancy Expense	1.94	2.15	2.18
Other Costs of Doing Business			
Advertising and Promotion	.93	.85	1.02
Insurance (Other Than Real Estate and Group)	1.15	.68	.74
Taxes (Other Than Real Estate and Payroll)	.52	.33	.31
Interest (Other Than Real Estate)	1.11	.81	1.02
Depreciation (Other Than Real Estate)	.83	.74	.72
All Other Expenses	3.09	3.76	3.86
Total Other Costs of Doing Business	7.63	7.17	7.67
Total Operating Expenses	22.42	22.63	24.17
Operating Profit or Loss	2.12	2.25	.99
Other Income	1.67	2.23	1.95
Net Operating Profit or Loss (Before Income Taxes)	3.79	4.48	2.94
Financial Performance			
Profit on Investment	19.74%	21.66%	15.40%
Active Owner's Return	36.82%	33.58%	28.18%
Current Asset Ratio	2.65x	2.52x	2.65x
Quick Asset Ratio	1.11x	1.31x	1.29x
Total Debt to Tangible Net Worth	87.76%	87.40%	100.82%
Stock Turn Times	4.73x	5.44x	5.04x
Sales to Inventory Ratio	6.24x	7.23x	6.73x
Average Inventory per Sq. Ft. Sales Area	$63.01	$72.72	$65.15
Net Sales to Accounts Receivable	13.07x	8.69x	9.55x
Net Sales to Total Assets	2.77x	2.58x	2.61x
Net Sales to Net Worth	5.21x	4.83x	5.25x
Net Sales to Net Working Capital	3.58x	3.55x	3.69x
Other Operating Data			
Credit Sales — % Total Gross Sales	64.07%	73.08%	80.98%
Consumer Sales — % of Total Gross Sales	37.82%	35.98%	36.21%
Selling Area — Square Feet	4,850	5,925	5,888
Sales Per Square Foot — Selling Area	$395.88	$438.52	$378.50
Total Area — Square Feet	26,639	23,299	23,664
Sales Per Square Foot — Total Area	$57.22	$104.76	$93.27
Sales Per Person Employed	$132,666	$165,929	$155,415
Sales Per Customer	$92.57	$68.48	$42.98

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Income Statement Data	1 New England
Number of Stores	29
Net Sales Volume	$5,779,903
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+16.69%
Gross Sales	101.39%
Less: Total Deductions	1.39
Net Sales	100.00%
Cost of Goods Sold	75.39
Margin Before Purchase Rebate or Patronage Dividend	24.61
Purchase Rebate or Patronage Dividend	.12
Margin After Purchase Rebate or Patronage Dividend	24.73
Payroll and Other Employee Expense	
Salaries — Owners/Officers/Managers	3.71
Salaries/Wages — Other Employees	6.51
Federal and State Payroll Taxes	.71
Group Insurance	.46
Benefit Plans	.84
Total Payroll and Other Employee Expense	12.24
Occupancy Expense	
Heat, Light, Power, Water	.23
Building Repairs and Maintenance	.27
Rent or Ownership in Real Estate**	1.13
Total Occupancy Expense	1.63
Total Costs of Doing Business	
Advertising and Promotion	.58
Insurance (Other than Real Estate and Group)	.68
Taxes (Other than Real Estate and Payroll)	.21
Interest (Other than Real Estate)	.59
Depreciation (Other than Real Estate)	.72
All Other Expenses	3.11
Total Other Costs of Doing Business	5.89
Total Operating Expense	19.75
Operating Profit or Loss	4.98
Other Income	1.42
Net Operating Profit or Loss (Before Income Taxes)	6.40
Financial Performance	
Profit on Investment	32.76%
Active Owner's Return	51.77%
Current Asset Ratio	2.40x
Quick Asset Ratio	1.52x
Total Debt to Tangible Net Worth	78.33%
Stock Turn Times	7.03x
Sales to Inventory Ratio	9.32x
Average Inventory Per Sq. Ft. Sales Area	$121.87
Net Sales to Accounts Receivable	6.91x
Net Sales to Total Assets	2.87x
Net Sales to Net Worth	5.12x
Net Sales to Net Working Capital	3.62x
Other Operating Data	
Credit Sales — % of Total Gross Sales	73.27%
Consumer Sales — % of Total Gross Sales	24.65%
Selling Area — Square Feet	3,434
Sales Per Square Foot — Selling Area	$1,205.60
Total Area — Square Feet	21,374
Sales Per Square Foot — Total Area	$230.85
Sales Per Person Employed	$263,517
Sales Per Customer	$192.64

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
40	88	86	17	102	27	56	45
$4,523,306	$3,293,933	$2,126,598	$4,659,891	$1,907,968	$2,323,943	$1,483,815	$2,733,563
+15.84%	+10.24%	+11.01%	+15.83%	+ 7.75%	+8.49%	+ 2.90%	+ 9.79%
101.22%	102.77%	103.81%	104.37%	101.63%	102.48%	101.28%	101.34%
1.22	2.77	3.81	4.37	1.63	2.48	1.28	1.34
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
73.76	76.13	74.79	77.54	75.42	73.48	75.11	74.40
26.24	23.87	25.21	22.46	24.58	26.52	24.89	25.60
.08	.06	.19	.13	.08	.24	.08	.09
26.32	23.93	25.40	22.59	24.66	26.77	24.96	25.68
2.40	2.44	3.18	.91	2.87	3.66	1.22	2.58
8.84	9.56	8.49	10.15	8.69	8.79	10.70	10.08
1.05	.76	1.31	.55	1.26	1.25	.93	1.43
.31	.41	.43	.41	.17	.54	.30	.49
.81	.71	.54	.23	.66	.33	.89	1.14
13.41	13.88	13.96	12.24	13.65	14.57	14.04	15.73
.31	.33	.36	.30	.61	.50	.40	.32
.24	.24	.20	.39	.27	.28	.09	.48
1.54	1.14	1.86	1.76	1.38	1.91	1.55	.77
2.09	1.71	2.42	2.45	2.26	2.70	2.05	2.58
1.00	.70	.94	.64	1.08	1.28	1.26	.85
.92	.70	.68	.65	.61	.91	.77	.63
.19	.41	.51	.52	.20	.37	.23	.23
.53	.83	.98	.87	1.00	1.70	.71	1.21
.69	1.00	.71	.61	.61	.53	.50	.80
3.37	4.16	3.63	3.70	3.30	4.45	3.23	4.21
6.70	7.80	7.45	6.99	6.80	9.24	7.80	7.92
22.20	23.38	23.83	21.68	22.71	26.51	23.88	26.23
4.13	.55	1.57	.90	1.95	.26	1.08	- .55
1.19	1.94	1.53	2.20	3.40	1.89	3.02	2.37
5.32	2.49	3.09	3.11	5.35	2.15	4.10	1.82
31.25%	14.19%	13.45%	18.30%	21.51%	11.96%	13.38%	10.78
45.35%	28.12%	27.31%	23.64%	33.04%	32.29%	17.35%	26.08
2.56x	2.27x	2.47x	2.38x	3.03x	2.71x	3.99x	2.41x
1.35x	1.17x	1.20x	1.02x	1.54x	1.06x	1.92x	1.14x
85.66%	106.78%	104.31%	85.49%	70.44%	120.77%	52.57%	122.49%
6.40x	6.11x	4.15x	5.73x	4.58x	4.57x	4.17x	5.20x
8.67x	8.03x	5.55x	7.39x	6.08x	6.22x	5.55x	6.99x
$86.52	$65.09	$74.69	$69.48	$44.30	$52.48	$54.65	$70.47
9.93x	9.20x	6.75x	11.61x	8.99x	13.06x	10.38x	9.45x
3.16x	2.76x	2.13x	3.18x	2.36x	2.52x	2.14x	2.66x
5.87x	5.70x	4.35x	5.89x	4.02x	5.56x	3.26x	5.92x
4.05x	4.05x	3.02x	4.17x	3.06x	3.91x	2.96x	3.78x
72.25%	83.73%	71.54%	83.82%	68.43%	86.83%	79.28%	75.38%
37.74%	27.01%	35.37%	25.43%	49.86%	49.48%	44.74%	35.47%
5,892	5,298	4,975	7,218	6,465	4,663	7,068	5,365
$744.40	$542.16	$398.71	$583.62	$232.92	$313.61	$209.93	$470.70
40,602	29,147	19,061	31,662	17,374	18,200	21,183	18,640
$108.03	$99.75	$81.44	$133.04	$82.07	$74.43	$70.05	$132.87
$169,291	$146,044	$175,819	$165,763	$170,787	$126,505	$146,757	$150,645
$26.84	$148.64	$72.69	$116.06	$83.93	$26.61	$72.31	$47.83

Trade Area Size

Income Statement Data	M.S.A. Central City	M.S.A. Surburban	Cities 10,000 - 50,000	Towns Under 10,000
Number of Outlets	91	29	88	282
Net Sales Volume	$2,899,912	$7,332,991	$3,517,693	$2,049,215
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+ 9.40%	+16.66%	+12.28%	+10.20%
Gross Sales	102.43%	100.36%	103.14%	102.35%
Less: Total Deductions	2.43	.36	3.14	2.35
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	75.22	73.73	75.95	75.30
Margin Before Purchase Rebate or Patronage Dividend	24.78	26.27	24.05	24.70
Purchase Rebate or Patronage Dividend	.04	.01	.11	.17
Margin After Purchase Rebate or Patronage Dividend	24.83	26.28	24.16	24.87
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	2.22	3.32	2.78	2.55
Salaries/Wages — Other Employees	9.99	8.53	8.07	9.07
Federal and State Payroll Taxes	.97	.98	1.16	.98
Group Insurance	.29	.46	.30	.43
Benefit Plans	.55	.99	.59	.76
Total Payroll and Other Employee Expense	14.03	14.27	12.90	13.79
Occupancy Expense				
Heat, Light, Power, Water	.52	.23	.33	.37
Building Repairs and Maintenance	.26	.39	.22	.25
Rent or Ownership in Real Estate**	1.60	1.54	1.52	1.37
Total Occupancy Expense	2.39	2.15	2.07	2.00
Other Costs of Doing Business				
Advertising and Promotion	.93	.88	.84	.89
Insurance (Other Than Real Estate or Group)	.63	.63	.69	.80
Taxes (Other Than Real Estate or Payroll)	.31	.09	.42	.35
Interest (Other Than Real Estate)	.88	.47	1.13	.88
Depreciation (Other Than Real Estate)	.59	.66	.72	.84
All Other Expenses	4.00	3.33	3.68	3.82
Total Other Costs of Doing Business	7.33	6.07	7.42	7.58
Total Operating Expenses	23.74	22.48	22.39	23.36
Operating Profit or Loss	1.09	3.80	1.77	1.51
Other Income	2.13	1.77	2.70	1.76
Net Operating Profit or Loss (Before Income Taxes)	3.22	5.57	4.47	3.28
Financial Performance				
Profit on Investment	16.55%	33.64%	20.91%	15.37%
Active Owner's Return	27.98%	53.68%	33.92%	27.33%
Current Asset Ratio	3.04x	2.38x	2.39x	2.58x
Quick Asset Ratio	1.53x	1.56x	1.25x	1.18x
Total Debt to Tangible Net Worth	79.26%	90.06%	99.89%	89.15%
Stock Turn Times	5.33x	9.00x	5.12x	4.70x
Sales to Inventory Ratio	7.08x	12.20x	6.74x	6.24x
Average Inventory per Sq. Ft. Sales Area	$73.47	$120.26	$85.06	$58.45
Net Sales to Accounts Receivable	10.14x	7.57x	7.69x	9.47x
Net Sales to Total Assets	2.87x	3.18x	2.34x	2.48x
Net Sales to Net Worth	5.14x	6.04x	4.68x	4.69x
Net Sales to Net Working Capital	3.79x	4.00x	3.46x	3.40x
Other Operating Data				
Credit Sales — % of Total Gross Sales	74.94%	72.21%	78.56%	76.42%
Consumer Sales — % of Total Gross Sales	33.11%	30.82%	32.07%	38.85%
Selling Area — Square Feet	7,249	5,822	5,204	5,277
Sales Per Square Foot — Selling Area	$366.16	$1,223.33	$545.39	$324.17
Total Area — Square Feet	22,599	38,241	22,941	21,598
Sales Per Square Foot — Total Area	$113.82	$186.26	$107.21	$81.93
Sales Per Person Employed	$154,978	$236,394	$178,121	$150,581
Sales Per Customer	$109.74	$33.38	$65.24	$64.07

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

**Figures may not add to totals indicated because of rounding.

Number of Outlets

Income Statement Data	Single Store Outlet	2-10 Stores	11 Stores Or More
Number of Outlets	256	125	111
Net Sales Volume	$2,998,258	$3,497,298	$1,452,326
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+10.88%	+15.94%	+ 4.11%
Gross Sales	102.43%	102.30%	101.12%
Less: Total Deductions	2.43	2.30	1.12
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.42	75.41	73.50
Margin Before Purchase Rebate or Patronage Dividend	24.58	24.59	26.50
Purchase Rebate or Patronage Dividend	.15	.07	.00
Margin After Purchase Rebate or Patronage Dividend	24.73	24.67	26.50
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.62	3.03	1.84
Salaries/Wages — Other Employees	8.39	9.07	11.22
Federal and State Payroll Taxes	.96	1.01	1.30
Group Insurance	.40	.40	.22
Benefit Plans	.68	.67	.99
Total Payroll and Other Employee Expense	13.05	14.19	15.57
Occupancy Expense			
Heat, Light, Power, Water	.33	.30	.71
Building Repairs and Maintenance	.23	.39	.13
Rent or Ownership in Real Estate**	1.43	1.67	1.22
Total Occupancy Expense	2.00	2.34	2.06
Other Costs of Doing Business			
Advertising and Promotion	.82	.76	1.54
Insurance (Other Than Real Estate or Group)	.80	.63	.57
Taxes (Other Than Real Estate or Payroll)	.36	.29	.17
Interest (Other Than Real Estate)	.84	.85	1.12
Depreciation (Other Than Real Estate)	.79	.72	.58
All Other Expenses	3.61	3.94	3.76
Total Other Costs of Doing Business	7.20	7.20	7.73
Total Operating Expenses	22.25	23.73	25.36
Operating Profit or Loss	2.49	.94	1.14
Other Income	1.99	1.87	2.77
Net Operating Profit or Loss (Before Income Taxes)	4.48	2.81	3.92
Financial Performance			
Profit on Investment	20.63%	17.75%	15.75%
Active Owner's Return	32.72%	36.92%	23.15%
Current Asset Ratio	2.54x	2.21x	4.17x
Quick Asset Ratio	1.27x	1.21x	1.96x
Total Debt to Tangible Net Worth	84.80%	115.86%	68.69%
Stock Turn Times	5.05x	6.88x	3.79x
Sales to Inventory Ratio	6.69x	9.13x	5.16x
Average Inventory Per Sq. Ft. Sales Area	$69.66	$75.58	$40.09
Net Sales to Accounts Receivable	8.50x	8.51x	11.66x
Net Sales to Total Assets	2.49x	2.93x	2.38x
Net Sales to Net Worth	4.61x	6.32x	4.02x
Net Sales to Net Working Capital	3.45x	4.18x	2.88x
Other Operating Data			
Credit Sales — % of Total Gross Sales	73.96%	83.07%	65.43%
Consumer Sales — % of Total Gross Sales	32.74%	29.37%	59.99%
Selling Area — Square Feet	5,573	4,257	7,396
Sales per Square Foot — Selling Area	$461.50	$679.69	$196.38
Total Area — Square Feet	24,308	21,815	21,057
Sales per Square Foot — Total Area	$105.50	$124.41	$68.97
Sales per Person Employed	$175,731	$164,075	$131,491
Sales per Customer	$83.24	$35.48	$84.62

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Outlet Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Outlets	216	252
Net Sales Volume	$4,248,186	$1,499,331
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+13.54%	+ 6.86%
Gross Sales	102.60%	101.45%
Less: Total Deductions	2.60	1.45
Net Sales	100.00%	100.00%
Cost of Goods Sold	75.75	73.25
Margin Before Purchase Rebate or Patronage Dividend	24.25	26.75
Purchase Rebate or Patronage Dividend	.08	.16
Margin After Purchase Rebate or Patronage Dividend	24.34	26.91
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	2.68	2.57
Salaries/Wages — Other Employees	8.55	10.11
Federal and State Payroll Taxes	.92	1.24
Group Insurance	.39	.35
Benefit Plans	.73	.73
Total Payroll and Other Employee Expense	13.28	15.01
Occupancy Expense		
Heat, Light, Power, Water	.28	.59
Building Repairs and Maintenance	.28	.22
Rent or Ownership in Real Estate**	1.42	1.63
Total Occupancy Expense	1.98	2.43
Other Costs of Doing Business		
Advertising and Promotion	.67	1.45
Insurance (Other Than Real Estate or Group)	.72	.72
Taxes (Other Than Real Estate or Payroll)	.32	.28
Interest (Other Than Real Estate)	.74	1.15
Depreciation (Other Than Real Estate)	.79	.65
All Other Expenses	3.74	3.86
Total Other Costs of Doing Business	6.97	8.11
Total Operating Expenses	22.23	25.55
Operating Profit or Loss	2.11	1.36
Other Income	1.79	2.09
Net Operating Profit or Loss (Before Income Taxes)	3.89	3.45
Financial Performance		
Profit on Investment	21.15%	14.47%
Active Owner's Return	35.71%	25.26%
Current Asset Ratio	2.32x	3.52x
Quick Asset Ratio	1.27x	1.52x
Total Debt to Tangible Net Worth	97.73%	75.97%
Stock Turn Times	6.11x	4.03x
Sales to Inventory Ratio	8.06x	5.50x
Average Inventory Per Sq. Ft. Sales Area	$88.08	$43.59
Net Sales to Accounts Receivable	8.03x	12.06x
Net Sales to Total Assets	2.75x	2.38x
Net Sales to Net Worth	5.43x	4.19x
Net Sales to Net Working Capital	3.80x	3.19x
Other Operating Data		
Credit Sales — % of Total Gross Sales	79.26%	65.40%
Consumer Sales — % of Total Gross Sales	24.30%	61.18%
Selling Area — Square Feet	5,563	6,157
Sales per Square Foot — Selling Area	$695.19	$218.89
Total Area — Square Feet	27,831	20,590
Sales per Square Foot — Total Area	$135.99	$64.37
Sales Per Person Employed	$180,748	$130,530
Sales Per Customer	$123.37	$30.54

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Departmental Sales

The Departmental Sales section of The Profit Report offers a variety of information for fourteen departments carried in DIY lumber outlets.

Departmental Contribution
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of sales area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Profit Report shows 90% of the reporting outlets have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of the outlets who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Profit Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Outlet Profile** for a lumber/building materials outlet carrying only these departments.

As an example, a lumber/building materials outlet carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Lumber/Building Materials.

Assume The Profit Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Lumber/Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{110.0}$	= 13.6%
Hand Tools	$\frac{10.0}{110.0}$	= 9.1%
Paint & Home Decorating	$\frac{20.0}{110.0}$	= 18.2%
Lumber/Building Materials	$\frac{65.0}{110.0}$	= 59.1%

The resulting percentages' total should equal 100.0% and are the **Average Outlet Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Lumber/Building Materials. This same procedure can be followed to determine the Average Outlet Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for lumber/building materials outlet operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.58 which means $1.58 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give lumber/building materials outlet operators ways to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual outlet operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Outlet Profile: % of Net Sales	% of Sales Floor*	% of Inventory
Hardware	100.0	6.2	19.5	8.8	153.92	6.2	19.5	8.7
Hand Tools	95.6	2.2	6.1	3.4	114.52	2.1	5.9	2.8
Power Tools & Accessories	89.4	2.6	5.1	3.0	129.51	2.2	4.8	2.4
Plumbing, Heating & Cooling	74.4	3.0	7.5	4.9	155.44	2.1	4.0	3.6
Electrical Supplies	86.8	2.7	5.7	4.0	146.02	2.3	5.4	3.6
Paint & Home Decorating	93.5	6.4	17.8	10.3	173.02	5.8	17.4	9.8
Lumber	100.0	45.8	11.4	31.3	1,113.03	44.9	11.2	30.9
Building Materials	100.0	25.6	21.6	26.9	505.66	25.4	20.7	26.5
Lawn & Garden	62.9	2.2	5.0	3.2	186.66	1.3	3.9	1.8
Housewares	20.0	1.0	5.1	2.0	75.25	.2	1.1	.5
Automotive Supplies	12.7	.7	1.9	1.3	137.83	.1	.4	.2
Major Appliances & Home Entertainment	22.1	6.3	4.9	6.8	284.40	.9	2.4	1.9
Sporting Goods & Outdoor Living	13.2	1.3	1.6	.9	149.92	.1	.3	.2
Miscellaneous Goods	52.9	10.9	4.3	10.1	1,099.17	6.5	3.1	7.1
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	37.6	5.1	1.90
Hand Tools	34.5	5.0	1.73
Power Tools & Accessories	30.2	4.9	1.48
Plumbing, Heating & Cooling	34.5	3.8	1.32
Electrical Supplies	34.6	4.7	1.64
Paint & Home Decorating	35.0	4.7	1.65
Lumber	24.6	6.5	1.61
Building Materials	26.5	6.5	1.71
Lawn & Garden	30.7	5.4	1.67
Housewares	33.7	3.1	1.04
Automotive Supplies	35.3	3.8	1.34
Major Appliances & Home Entertainment	17.2	5.3	.90
Sporting Goods & Outdoor Living	32.9	7.2	2.37
Miscellaneous Goods	30.8	7.0	2.14

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment, gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- —Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- —Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- —Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- —Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- —Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".
- —Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- —Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".
- —Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- —The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- —Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- —Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".
- —Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- —Computed by dividing Net Sales by Average Inventory; expressed in "times".
- —Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area
- —Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.
- —A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- —Computed by dividing Net Sales by Accounts Receivable; expressed in "times".
- —Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- —Computed by dividing Net Sales by Total Assets, expressed in "times".
- —Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- —Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".
- —Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- —Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".
- —Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area
- —Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- —Measures sales productivity.

Sales Per Sq. Ft. — Total Area
- —Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- —Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- —Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- —Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- —Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- —Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)
- —Computed by taking gross margin percentage times sales to inventory ratio.
- —Considers both margin and turnover.
- —Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.

Before Making Critical Planning Decisions

Ask The Right Questions!

QUESTIONS:

Market Potential? How much Do-It-Yourself potential is in my trading area? Will the market grow or decline? How fast? Is the market in a transition?

Future Markets? What additional market opportunities are there? Where are they? What size are the markets? Which ones offer the greatest potential?

Expansion? Should I expand? Should I reformat? What size should I be? What sales increase will there be? What product assortment should be offered?

Site Location? How good is my site? Should I relocate? Where? What changes should I make if I do? What can I afford?

Image? What image do I have with my current customers? My non-customers? What are my strengths? What do I do poorly? Who are my competitors? Why do my customers patronize a particular store? For what products? What do my customers really want out of a Do-It-Yourself store?

Market Saturation? How saturated is my market? What is my market share? What market share do my competitors have? Can I increase my market share? How much? What must be done to do so?

Advertising? Is my advertising reaching my market? What is the message to the consumer? What method and media should I use? Should I increase my ad budget? Am I properly positioning the store in both price and product?

ANSWERS

The Retail Research Department of the National Retail Hardware Association and Home Center Institute specializes in providing answers to these and other marketing questions. Over fifteen years in analyzing the hardlines industry enables us to provide marketing consultation, experience and research unavailable from other sources.

When making critical planning decisions, we can help.

Contact the Retail Research Department of NRHA or your local State or Regional Affiliated Hardware Association.

☐ **YES! I NEED THE ANSWERS!**

Please send Market Planning information on these areas:

- ☐ Trade Area Analysis
- ☐ Market Location Analysis
- ☐ Consumer Research
- ☐ Customer Surveys

Name _____

Company _____

Address _____

City/State/Zip _____

Mail To:
Mr. Greg Venable

NATIONAL RETAIL HARDWARE ASSOCIATION
770 N. High School Road
Indianapolis, Indiana 46214
or call (317) 248-1261

Participate Through Your Trade Association

Join The Home Center Institute

The Home Center Institute serves the Home Center Retailing Industry through five councils, set up to address various operating and legislative issues common to the members:

Executive Advisory Council
Safety Action Council
Loss Prevention Council
Training Manager's Council
Washington Council

Other Councils or Committees are set up on an ad hoc basis to cover major issues as they occur (i.e. bar coding and Electronic Data Interchange, etc.)

As a member of the Home Center Institute, you are informed on industry issues and, more importantly, you are in a position to effect and direct changes as they are needed.

- INFORMATION through trade publications, member newsletters, council meetings and conferences.
- EDUCATION through video libraries, book clubs, correspondence courses and access to trade library.
- LEGISLATION through our Washington Advisory Council and lobbyists working inconcert.

If you are not currently a member, we invite you to join by sending in the following request for membership information.

Yes. Send me information on membership in the Home Center Institute:

Firm Name

_____

Address

_____

City/State/Zip

_____

Telephone No. (____)

_____

All Home Center Institute information and services should be sent to:

Name

_____

Title

_____

Number of retail outlets operated by company

_____

Approximate total sales volume annually:

____Under $ 10 million
____$10 million - 25 million
____$25 million - 50 million
____$50 million - 75 million
____$75 million - 100 million
____$100 million - 200 million
____$200 million - 500 million
____$500 million - 1 billion
____Over $1 billion

NRHA

NATIONAL RETAIL HARDWARE ASSOCIATION
770 N. High School Road
Indianapolis, Indiana 46214
(317) 248-1261
Fax: 317-241-4515 Telex: 027-323

What Do The Most Profitable, Most Productive, Best Looking Stores Have In Common?

The Master Merchant Design Team!

Presentation of merchandise on the salesfloor is crucial to the success of a retail do-it-yourself business. Your salesfloor must look appealing, interesting, and exciting. It must be productive and profitable to maintain solid growth in this competitive retailing environment.

The Master Merchant store planning division of the National Retail Hardware Association offers you a single-source consulting service staffed by highly trained store planners/designers and merchandising consultants at the national and regional level.

Services provided by Master Merchant professionals include:

Consultation
On-site consultations are available to help you better position your business for increased sales and turnover and operating efficiencies.

Store Planning and Design
Working with you on an individual basis, our designers will.....

- design a salesfloor that gives you maximum effectiveness of existing space.
- create traffic flow patterns and fixture arrangements.
- develop departmental locations and adjacencies.
- detail merchandise placement by fixture module and determine locations of checkout counters and service areas.
- provide itemized store equipment specifications and pricing.
- determine location and sizes of receiving/warehouse areas, office areas, restrooms, etc.

Interior/Exterior Design
Your store can be exciting and distinctive with color, signing, and graphics - all to stimulate customer buying and return visits.

Site Planning
A detailed plan provides for maximum utilization of your property including proper location of the building, allowance for future expansion, parking lot layout, and appropriate driveways for ingress and egress and truck routing.

Yard & Warehouse Planning
Also knowledgeable about what goes on off the sales floor, our team will help to determine the best location of sheds and warehouses, drive-thru layouts, merchandise location and placement, warehousing equipment and racking specifications and pricing, and truck routing.

Store Equipment
The Master Merchant line of store fixtures and accessories offer maximum product presentation possibilities, are flexible for all display needs, ***and*** are competitively priced.

Installation & Merchandising Assistance
Our professionals can provide you with on-site installation supervision of store fixtures and "hands-on" merchandising with minimum interruption of business and an on-time completion.

Program Implementation
From start to finish we can assist you in scheduling, budgeting and supervising the program, allowing you to devote your time to running your business.

Each Master Merchant design team is ready and equipped with the latest trends to make your store a tough competitor. Just call the Master Merchant team in your area --(see page 27 of this book) or contact NRHA.

NRHA

NATIONAL RETAIL HARDWARE ASSOCIATION
770 N. High School Road
Indianapolis, Indiana 46214
(317) 248-1261
Fax 317-241-4515 Telex 027-323

NRHA National Retail Hardware Association
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Iowa Retail Hardware Association: John C. Phillips, 520 35th St., Des Moines 50312 *(515) 274-0401; (800) 652-9609 (Iowa only)*

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